CHEMTRADE LOGISTICS INCOME FUND

2001 ANNUAL REPORT

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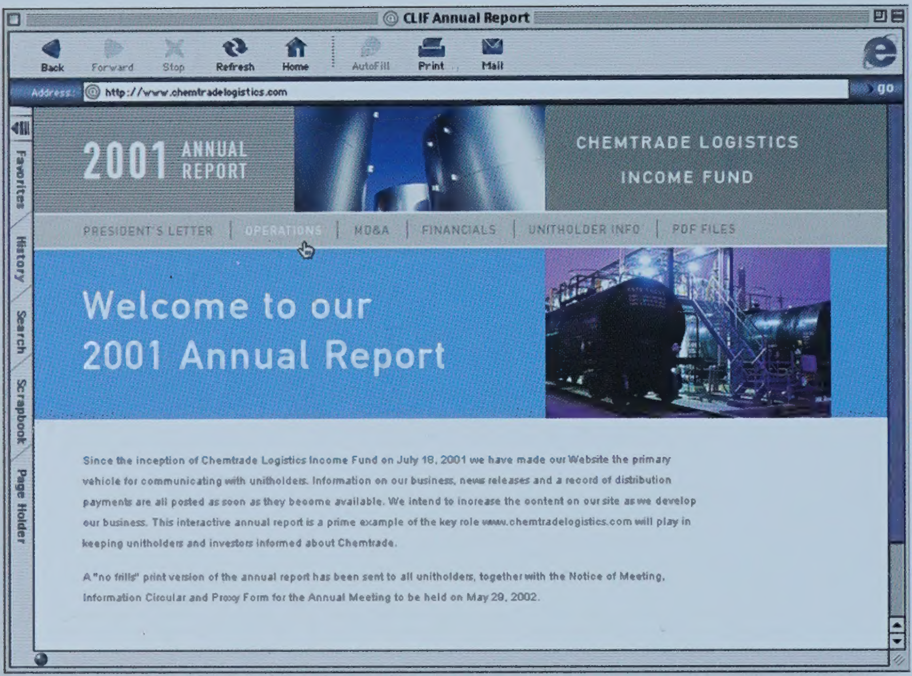
CHEMTRADE
LOGISTICS
INCOME FUND



Since the inception of Chemtrade Logistics Income Fund on July 18, 2001 we have made our Website – www.chemtradelogistics.com – the primary vehicle for communicating with unitholders. Information on our business, news releases and a record of distribution payments are all posted as soon as they become available. We intend to increase the content on our site as we develop our business.

An interactive version of this annual report is available on the Website.

Contents

President's Letter

It is a pleasure to report on the first fiscal period of Chemtrade Logistics Income Fund. This report covers the period from the completion of Chemtrade's initial public offering on July 18, 2001 until December 31, 2001.

A Strong Start

Chemtrade had an outstanding debut.

- The IPO raised gross proceeds of approximately $130 million at a time when the market for new issues was not particularly strong.
- The performance of the business has exceeded the expectations we outlined during the marketing of the issue.
- The market performance of the units reflects investors' confidence in the long term financial performance of Chemtrade.

Distributions for the period from the IPO to the end of December 2001 were $0.69 per unit, slightly higher than the rate we anticipated during the IPO marketing. The unit price closed at $12.35 on January 2, 2002 which, together with cash distributions attributable to 2001, represented a total return to initial investors of 30.4%. Since then additional distributions and an even higher unit price have further enhanced total returns for unitholders. This performance has outpaced both the TSE 300 and the Income Trust indices.

We believe that the basis of our stock market performance is driven by:

- achieving our stated financial goals; and
- an increasing understanding of our business by the investment community.

Chemtrade's business is somewhat unique among public companies and certainly among income trusts. We will continue our efforts to increase awareness of Chemtrade and the suitability of our business model to the income trust structure.

FUND FACTS

No. of Units Outstanding
13,016,900

Market Capitalization
$183.5 million
(based on closing price of $14.10 on March 28, 2002)

Distributable Cash Earned
$0.86 per unit
(attributable to the period from July 18 - December 31, 2001)

Cash Distributions
$0.69 per unit
(attributable to the period from July 18 - December 31, 2001)

Total Return
30.4%
(attributable to the period from July 18 - December 31, 2001)

Sound Financial Performance

Chemtrade posted solid financial results in its inaugural fiscal year despite the uncertain economic conditions that prevailed. Chemtrade's performance during these times underscores the stability and reliability of the Chemtrade business. Revenue for the period was $94.9 million which generated earnings before interest, taxes, minority interest, depreciation and amortization of $13.7 million. Cash available for distribution was $11.2 million, or $0.861 per unit. Of this, $9.0 million, or $0.69 per unit, was paid in cash distributions to unitholders, including the December distribution paid in January 2002 and the fourth quarter supplemental distribution of $0.11 per unit paid in February 2002.

Annualized, these distributions exceed $1.50 per unit, which is higher than the rate anticipated during the marketing of the IPO. We continue to believe these rates are sustainable and plan to keep distributions at that level until we are satisfied that an increased rate of distributions can be sustained.

Stability and Sustainability

Chemtrade's objective is to ensure the stability and sustainability of distribution payments to unitholders. Our on-going focus is to ensure that every aspect of our operations is conducted with this objective in mind. By providing reliable and value added services to both our producer and end use customers we build long term relationships that form the foundation of our business. These relationships allow us to obtain a reliable source of useable by-products from our producer customers and deliver them to a diverse end use customer base. Our contracting strategy with producers and the diverse end use customer base enable Chemtrade to mitigate commodity price changes. This business model delivers the stable, sustainable earnings upon which our distributions are based.

The strong foundation of our business was certainly evident in 2001. For example, the impact of the interruption to production at our Timmins liquid sulphur dioxide facility in August (very shortly after completion of the IPO) and the dramatic reduction in certain end use customer inventories towards year end was offset by strong spot sales by BCT Chemtrade and by the dampening effect of our very diverse customer base. The strength of the business enabled us to exceed the cash available for distribution we had anticipated during the IPO process despite the unforeseen events.

Growth

While stability and sustainability of cash flow are key objectives of Chemtrade, we are also actively seeking opportunities to grow sales and earnings and increase distributions to unitholders.

Our strategy for growth includes expanding our base of producer customers, extending the services we provide to existing customers, leveraging our existing core skills and infrastructure, and making selective acquisitions that will be immediately accretive to distributable cash.

The new agreement with Irving Oil entered into in November 2001 is an example of achieving growth by expanding our services for existing customers. (See the Review of Operations – North America for more details). This new long-term agreement is expected to generate revenue in excess of $30 million over its 10 year life. At the same time, we also extended an existing sulphur removal agreement with Irving for a further 10 years.

We also expect growth to be generated from the removal of increased volume of by-product produced as a result of customers meeting stricter environmental regulations. For example, last year our largest and longest-term customer, Inco, announced that they will further reduce SO_2 emissions at their Sudbury smelter by 2006. Under the terms of our exclusive long-term agreement with Inco, Chemtrade will remove and market the increased output, and we are already in discussions with Inco on the subject.

People

The establishment of Chemtrade Logistics as a separate entity was much more than simply a name change, and involved every member of the organization over an intense period of several months. The dedication of all our employees resulted in a smooth transition that made the process essentially seamless for our existing customers.

I would also like to thank our Board of Trustees for their guidance and counsel on our new role as a public organization with reporting requirements and obligations to our many unitholders.

Outlook

The launch and early performance of Chemtrade Logistics Income Fund has met our highest expectations. We are confident that the leadership position we have established and the market dynamics of the sectors we serve will enable us to maintain the steady and reliable financial performance we have recorded for many years.

We will maintain a conservative distribution policy that will retain sufficient funds for business growth and ensure a sustainable level of cash distributions to unitholders.

Mark Davis

Mark Davis
President & Chief Executive Officer

Review of Operations

Chemtrade operates in two business segments – North America, which provides removal services in Eastern Canada and the United States, and BCT Chemtrade which provides removal services outside North America.

North American Operations

Chemtrade is the largest independent provider of sulphur by-product removal services in North America. The volume of by-products we market on behalf of our producer customers also makes us a leading marketer of most of those by-products. We are the largest marketer of liquid sulphur dioxide, a leading marketer of ultrapure acid and the second-leading marketer of sulphuric acid.

Chemtrade has long-term agreements with leading base metal smelters such as Inco and Falconbridge for the guaranteed removal and marketing of by-products, principally sulphuric acid and liquid sulphur dioxide.

Our relationship with Inco has endured for over 70 years. The range of services we provide for Inco aptly describes the nature of our core business in North America. (See next page).

2001 Performance
In fiscal 2001, the performance of North American Operations was generally in line with management's expectations. Operationally, an unexpected interruption to production at our liquid sulphur dioxide facility at Timmins had a negative impact on third quarter results which was largely recovered in the fourth quarter.

The volume of by-products that we handled during the period, apart from the event noted above, was consistent with our projections for the business.

Although there were some signs that the economic slowdown was affecting some industries, the diversity of our end use customer base significantly dampened any negative effect on Chemtrade. It is part of our strategy to maintain a diverse customer base. It was clearly evident last year that our limited exposure to any one industry, together with our contracts that mitigate against commodity price risk, enabled us to avoid any serious fluctuations in cash flows.

PROFILE

Producer Customers
By-products are obtained from industry leaders such as Inco, Falconbridge, Imperial Oil, Shell Canada, Irving Oil and Sunoco

End Use Customers
Over 300 end use customers in a diverse range of industries

Infrastructure
Extensive logistical network of processing facilities, storage centres and leased railcars

Our end use customer base remained steady at about 300, representing a diverse range of industries. Chemical intermediaries represented approximately 35% of sales volume, followed by pulp and paper at 27%. The remainder was spread between chemical distributors (10%), fertilizer producers (6%), food (3%), mining (2%) and miscellaneous industries (17%).

In November 2001, Chemtrade reached a 10-year agreement with Irving Oil for removal services to be provided at the Irving Oil Refinery in Saint John, New Brunswick. Under the agreement, Chemtrade guarantees removal and sale of all excess sulphuric acid produced by the refinery's new sulphuric acid regeneration unit. The unit is part of a $1 billion upgrade project at the refinery that also includes a new alkylation unit. Chemtrade will remove excess acid that is not required for use in the alkylation unit.

The new services agreement expands our relationship with Irving for whom we already provide sulphur removal services under a long-term agreement which has also been extended for a further 10 years.

We maintained our excellent safety record in 2001, once more performing better than the industry overall. This consistent performance reflects the combination of a leading risk management program and well-trained, experienced employees.

Inco: A Key Customer Relationship

Chemtrade and Inco – a 70 year relationship that continues to grow
Inco's Copper Cliff smelting and refining operation in Sudbury, Ontario is one of the largest smelting and refining operations in Canada and among the largest in the world. Each year, the Copper Cliff smelter removes over 450,000 tonnes of sulphur dioxide gas from emissions which are converted into saleable by-products, sulphuric acid and liquid sulphur dioxide, which must be removed to ensure operations are not disrupted. The sulphuric acid plant is the largest attached to a smelter in Canada, and the liquid SO_2 plant is the largest in the world.

Removal outsourced to Chemtrade
Chemtrade handles all of Inco's sulphur by-products removal. In fact, no other business has ever provided removal services to Inco. We provide guaranteed removal and use our extensive infrastructure of storage, handling and transportation facilities to ensure safe and reliable distribution of the products to end use customers throughout North America.

Long-term agreement
Chemtrade provides its services to Inco under an exclusive long-term agreement which came into effect on January 1, 1999. Inco is Chemtrade's largest single provider of products.

Growth opportunities
Inco has demonstrated its commitment to improved environmental performance by meeting increasingly stringent emission requirements. Today, more than 90% of sulphur in Sudbury ores is captured during processing.

Inco has undertaken to comply with the Ontario Ministry of Environment requirement to reduce SO_2 emissions by a further 34% by 2006 which will result in the production of additional volumes of by-product. Under the terms of our exclusive agreement with Inco, Chemtrade will remove and market this additional volume, increasing the revenue generated from our relationship.

BCT Chemtrade

BCT Chemtrade, based in Zug, Switzerland, removes, markets and distributes sulphuric acid and liquid sulphur from oil refineries, smelters and other industrial facilities in Europe, South America and the Far East. The by-products are marketed to end use customers in Europe, the Mediterranean, the Middle East, Central and South America and Asia.

BCT Chemtrade has long-term agreements and long-term relationships with numerous customers that supply by-products for distribution and marketing. These include Boliden Mineral (Sweden), Norzink (Norway), Codelco (Chile) and Shell Netherlands Refinery (Netherlands).

Shell Netherlands Refinery is one of BCT Chemtrade's key customers and is an example of how we can leverage strong relationships and our infrastructure to expand our services and establish long term relationships with customers. (See next page).

2001 Performance
BCT Chemtrade reported strong results in fiscal 2001, reflecting steady revenue from the long-term relationships the company enjoys with many of its customers, as well as incremental revenue from spot sales of additional volumes of by-products from customers.

In the case of BCT Chemtrade, end use customers are primarily the mining, chemical and fertilizer industries, which represented 31%, 15% and 39% respectively of sales volume in 2001.

A key part of BCT Chemtrade's infrastructure assets is the storage and distribution terminal in Rotterdam. The facility has a total storage capacity of 35,000 tonnes of liquid sulphur and 40,000 tonnes of sulphuric acid. This includes a 15,000 tonne liquid sulphur tank that is dedicated to handling product for Shell Netherlands Refinery. Shell Netherlands is moving all its export molten sulphur through the facility which is being fully utilized.

BCT Chemtrade generated additional revenue during the year from spot sales of by-products. This occurs when customers have by-product in excess of the contracted quantities. In these cases, BCT Chemtrade arranges sale of the by-product for a margin.

PROFILE

Global Reach
Customers in Europe, South America, Far East, including Boliden Minerals, Norzink and Shell Netherlands

End Customers
Over 70 worldwide in diverse range of regions and industries

Shell Netherlands: A Key Customer Relationship

Chemtrade and Shell Netherlands Refinery – Dedicated services

The Shell Netherlands Refinery B.V., based in Rotterdam, produces 200,000 to 300,000 tonnes of molten sulphur each year as a by-product of its environmental compliance activities. Before being sold and shipped to overseas markets, the by-product must be removed from the refinery and stored.

Chemtrade – Dedicated storage, global distribution and marketing

Chemtrade provides storage and marketing and distribution services for a part of Shell Netherlands Refinery's molten sulphur by-product. At our Rotterdam ocean terminal, a newly constructed 15,000 tonne storage tank is dedicated to Shell's by-product. Brought into service in 2001, the tank is being fully utilized.

Long-term agreement

The new tank, which increased Chemtrade's liquid sulphur storage capacity by 75%, was built as part of the total services package provided to Shell under a seven year agreement which came into effect in January 2001.

Management's Discussion and Analysis

General

Chemtrade Logistics Income Fund (the "Fund") is a limited purpose trust established under the laws of Ontario. The Fund's income is derived from its wholly-owned subsidiary, Chemtrade Logistics Inc. ("Chemtrade" or the "Company"). Distributions to unitholders of the Fund, currently made monthly, are entirely dependent on the cash flow of Chemtrade, which in turn is used to pay interest on $101.2 million of 12.5% unsecured, subordinated promissory notes, and dividends to the Fund.

Chemtrade commenced operations on July 18, 2001 when the Fund completed an Initial Public Offering (IPO), raising approximately $130 million (before expenses related to the issue). The Fund then completed the purchase of Chemtrade from Marsulex Inc. ("Marsulex").

Chemtrade is one of the world's largest independent providers of chemical by-product removal services and a leading distributor of these by-products. Chemtrade provides removal services and markets removed by-products for base metal smelters and oil refineries in North America, and through its wholly-owned subsidiary, BCT Chemtrade Corporation ("BCT"), in Europe and South America.

The Fund purchased Chemtrade on July 18, 2001, and therefore the consolidated financial statements as at and for the period ended December 31, 2001 reflect the results of operations for a period of approximately 5.5 months and no comparative figures are presented.

Consolidated Operating Results

In the period ended December 31, 2001, Chemtrade recorded revenues of $94.9 million. Of this total, $49.4 million (52.0%) represents sales in North America and $45.6 million (48.0%) sales in other countries, primarily in Europe and South America. Margin was $28.7 million, or 30.2% of revenue. Logistical, selling, general and administrative costs amounted to $14.9 million, or 15.7% of revenue, which resulted in earnings before interest, taxes, depreciation and amortization ("EBITDA") of $13.7 million (14.4% of revenue). Of this amount, $9.6 million (70.1% of total EBITDA) was attributed to North America and $4.1 million (29.9%) to countries outside North America.

In North America, an unexpected shutdown for approximately one month of the Kidd Creek liquid sulphur dioxide facility, which was caused by a furnace outage, affected results negatively in the period from acquisition to September 30, 2001.

Selling, general and administrative costs amounted to $7.7 million, or 8.1% of revenue. Personnel and related costs totaled $4.2 million in the period, and represented 54.5% of total administrative costs. Administrative costs related to operations, principally rent and insurance, were $1.4 million, or 19.5% of total administrative and general costs.

Non-cash related charges – depreciation and amortization totaled $6.6 million (7.0% of revenue) and interest costs, net of interest earned on cash deposits, were $0.7 million in the period.

Income tax expense, including a provision of $0.1 million for Large Corporation Tax, was $0.1 million. Income tax is levied at the corporate level. As the parent is a Trust within the definition

of the Income Tax Act, no income tax is levied on its results as long as the Trust distributes its earnings to the unitholders. Accordingly, the consolidated tax rate is substantially lower than the Canadian statutory rate of 39.6%.

Net income for the period ended December 31, 2001 was $6.0 million, after deducting the share of profits of certain subsidiary operations which is attributable to the minority shareholders.

Distributable Cash – Cash Distributions

Distributable cash represents earnings before interest, income taxes, depreciation, amortization and minority interest (EBITDA) earned by Chemtrade, less expenditures on capital items, interest expense (net of interest income), current taxes and the minority shareholders' share of income of an operating subsidiary.

Distributable cash for the period ended December 31, 2001 is as follows:

(thousands of dollars, except per unit amount)

Earnings before interest, income taxes, depreciation, amortization, and minority interest	$	13,702
Less:		
Capital expenditures, net of dispositions		959
Interest		657
Taxes		626
Minority interest		254
		2,496
Distributable cash	$	11,206
Distributable cash per Unit (Based on 13,016,900 Units outstanding)	$	0.861

Chemtrade's distribution policy is to pay a regular distribution of $0.09 per unit monthly, and to pay a supplemental quarterly distribution when distributable cash earned in the quarter has been determined. Chemtrade has declared its intention to pay cash distributions at an annualized level of $1.50 per unit.

Distributions paid to unitholders for the period ended December 31, 2001 were as follows:

Record Date	Payment Date	Amount per Unit	
August 31, 2001	September 30, 2001	$	0.136
September 28, 2001	October 31, 2001		0.090
October 29, 2001	October 31, 2001		0.084
October 31, 2001	November 30, 2001		0.090
November 30, 2001	December 31, 2001		0.090
	TOTAL	$	0.490

The regular distribution of $0.09 per unit for December 2001, was declared on December 18, 2001, and was paid on January 31, 2002 to unitholders of record as of December 31, 2001.

Liquidity and Capital Resources

Cash flow generated by Chemtrade is required to fund maintenance capital expenditures, distributions to unitholders and any third party interest. Cash flow from operations was $15.8 million in the period ended December 31, 2001. Maintenance capital requirements are estimated at $1.2 million per year. Expenditures in the period ended December 31, 2001 of $0.9 million were made at a rate in excess of that amount, on a pro rata basis, and reflected certain start-up expenditures, planned maintenance capital expenditures and the completion of one expansion project. Other expenditures were for normal, budgeted maintenance capital requirements.

Cash distributions to unitholders amounted to $6.4 million in the period and represented $0.49 per unit.

At the time of the purchase of assets from Marsulex, Chemtrade drew down a $37.0 million term credit facility. The loan is denominated in U.S. dollars, has a term of five years, and bears interest at rates that vary with LIBOR.

Chemtrade also arranged a $10.0 million operating line of credit the same time. Borrowings under this loan are available to finance working capital, as defined, and interest is payable on the loan at rates that vary with LIBOR. At December 31, 2001 and in the period ended on that date, Chemtrade had not utilized any of this operating line of credit.

Risks and Uncertainties

Chemtrade is one of the world's largest independent providers of chemical by-product removal services. As such, Chemtrade faces various risks associated with its business. These risks include, amongst others, the loss of a portion of its customer base, the interruption of the supply of sulphur based products, which are its main source of revenue, and operational and product hazard risks associated with the nature of its business. As Chemtrade's business is international in nature, the Company is exposed to foreign exchange risks related to the payment of dividends and other amounts by its foreign subsidiaries.

Chemtrade manages the risks associated with its customer base by structuring its purchasing contracts so that related risks are minimized. Generally, Chemtrade strives to reduce the risk associated with its producers by entering into contracts that are either risk shared, fee based or that match purchases with pre-arranged sales, thereby ensuring a margin on the transaction.

Chemtrade manages the operational risks associated with its business by ensuring that it employs competent, well-trained staff. In addition, Chemtrade maintains an extensive insurance program which includes liability and environmental coverage.

Outlook

In general, economic conditions in the markets served by Chemtrade remain unsettled. Accordingly, the demand for Chemtrade's major products could experience some weakening in the first quarter of 2002, before an anticipated improvement in economic activity is achieved. In spite of this possibility, Chemtrade is not currently forecasting any significant financial impact on its results because of this economic uncertainty.

Chemtrade believes that its cash distribution policy of approximately $1.50 per unit per annum is sustainable throughout 2002.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Chemtrade Logistics Income Fund (the "Fund") and all the information in this annual report are the responsibility of the management of the Fund's wholly-owned operating subsidiary Chemtrade Logistics Inc. ("Chemtrade"). The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and where appropriate include management's best estimates and judgements. Management has reviewed the financial information presented throughout this report and has ensured it is consistent with the consolidated financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable.

The Trustees of the Fund are responsible for ensuring that management fulfills its responsibilities for financial reporting and are ultimately responsible for reviewing and approving the consolidated financial statements. The Trustees carry out this responsibility principally through the Audit Committee of Chemtrade.

The Board of Directors of Chemtrade appoints the Audit Committee, and all of its members are independent directors. The Audit Committee meets periodically with management and the Unitholders' auditors to review internal controls, audit results and accounting principles. Acting on the recommendation of the Audit Committee of the Board, the consolidated financial statements are forwarded to the Trustees of the Fund for their approval.

KPMG LLP, an independent firm of Chartered Accountants, was retained by the Trustees of the Fund to complete the audit of the consolidated financial statements and to provide an independent professional opinion. The appointment of KPMG LLP as auditors of the Fund will be confirmed at the Annual Meeting of the Fund. KPMG LLP has full and free access to the Audit Committee.

Mark Davis
Mark Davis
President and CEO

Victor Wells
Vice-President Finance and CFO

Toronto, Canada
February 9, 2002

Auditors' Report

To the Unitholders of Chemtrade Logistics Income Fund

We have audited the consolidated balance sheet of Chemtrade Logistics Income Fund as at December 31, 2001, and the consolidated statements of operations and deficit and cash flows for the period from July 18, 2001 to December 31, 2001. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2001 and the results of its operations and its cash flows for the period from July 18, 2001 to December 31, 2001 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
February 9, 2002

Consolidated Balance Sheet

(in thousands of dollars)

		December 31, 2001
Assets		
Current assets		
Cash and cash equivalents	$	17,747
Accounts receivable		27,072
Inventories (note 3)		4,011
Prepaid expenses and other assets		696
		49,526
Property, plant and equipment (note 4)		58,203
Deferred charges		1,522
Goodwill		89,245
	$	**198,496**
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable	$	20,652
Accrued liabilities (note 5)		14,761
Income taxes payable		1,587
		37,000
Bank debt (note 6)		38,271
Future tax liability (note 7)		1,274
Minority interest		759
Unitholders' equity (note 8)		
Units		121,229
Foreign currency translation adjustment		1,468
Deficit		(1,505)
		121,192
Commitments and contingencies (note 9)		
	$	**198,496**

On behalf of the Board of Trustees:

L. Hollander

Louis Hollander

James Leech

Consolidated Statement of Operations and Deficit

(in thousands of dollars)

		Period from July 18 to December 31, 2001
Revenue	$	94,865
Cost of sales and services		73,438
Gross profit		21,427
Selling, general, administrative and other costs		7,725
Earnings before interest, income taxes, depreciation and amortization		13,702
Depreciation		4,476
Amortization of goodwill and deferred charges		2,179
Earnings before the undernoted		7,047
Interest income		(223)
Interest expense		880
Earnings before income taxes, minority interest		6,390
Income taxes		
Current (note 7)		626
Future		(535)
		91
Earnings before minority interest		6,299
Minority interest		254
Net earnings		6,045
Distributions		(7,550)
Deficit, end of period	$	(1,505)

Consolidated Statement of Cash Flows

(in thousands of dollars)

		Period from July 18 to December 31, 2001
Cash provided by (used in):		
Operating activities:		
Net earnings for the period	$	6,045
Items not affecting cash:		
Depreciation		4,476
Amortization of goodwill and deferred charges		2,179
Future income taxes		(535)
Minority interest		254
		12,419
Decrease in working capital		3,350
Cash generated from operations		15,769
Financing activities:		
Distributions to unitholders		(6,378)
Issue of units		130,169
Issuance cost		(8,940)
		114,851
Investment activities:		
Acquisition of Chemtrade, excluding cash		(111,914)
Additions to property, plant and equipment		(959)
		(112,873)
Increase in cash and cash equivalents – balance end of the period	$	17,747
Supplemental information:		
Cash taxes paid	$	915
Cash interest paid	$	638
Cash interest received	$	223

Notes to Consolidated Financial Statements

(tabular amounts in thousands of dollars)

1. Organization and description of the business:

Chemtrade Logistics Income Fund (the "Fund") is a limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated May 17, 2001 as amended and restated. The Fund has been created to invest in Common Shares and 12.5% unsecured, subordinated notes of Chemtrade Logistics Inc. (the "Company"), its wholly owned subsidiary which was incorporated on May 7, 2001. Each Unitholder participates pro rata in any distribution from the Fund. Income tax obligations related to the distributions of the Trust are the obligations of the Unitholders.

On July 18, 2001, the Fund filed a final prospectus for the sale to the public of 11,900,000 units at a price of $10.00 per unit for aggregate gross proceeds of $119,000,000. On August 1, 2001, the Fund issued 1,116,900 additional units for gross proceeds of $11,169,000. Concurrent with the closing of the offering, Marsulex Inc. ("Marsulex") completed a reorganization whereby certain of its North American businesses and all the issued and outstanding shares of BCT Chemtrade Corporation were acquired by the Company. As part of the reorganization, the Company utilized a banking facility totaling $37,000,000.

Following the reorganization, the Fund purchased all of the common shares of the Company for a total of $20,000,000 and all of the Company's notes payable for $101,229,000.

The Company's North American businesses include Eastern Canada and United States removal services principally involved in the removal of sulphuric acid, liquid sulphur dioxide and elemental sulphur and the manufacture of sulphur based products.

BCT Chemtrade provides global removal services for sulphur and sulphuric acid and has developed international markets for removal products in Europe, the Middle East, South America, and the Asia Pacific region.

The acquisition has been accounted for by the purchase method. These consolidated financial statements reflect assets and liabilities of the Company at assigned fair values as follows:

Cash	$	9,315
Other current assets		35,196
Property, plant and equipment		60,153
Goodwill		90,918
Other		1,640
Current liabilities		(36,688)
Bank debt		(37,000)
Minority interest		(496)
Future income tax		(1,809)
	$	121,229
Consideration paid in cash	$	121,229

2. Significant accounting policies:

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

(a) Basis of consolidation:
These consolidated financial statements combine the accounts of the Fund and its wholly-owned subsidiaries from their respective dates of acquisition. The principal operating subsidiaries are: Chemtrade Logistics Inc., Marsulex Swiss Holdings LLC, BCT Chemtrade Corporation, and Chemtrade Logistics U.S. Inc.

(b) Cash and cash equivalents:
Cash equivalents are comprised of highly liquid investments having original terms to maturity of 90 days or less when acquired. They are valued at cost plus accrued interest, which approximates market value.

(c) Inventories:
Inventories are valued at the lower of average cost and net realizable value.

(d) Property, plant and equipment:
Property, plant and equipment are depreciated on a straight-line basis with buildings depreciated over 15 to 20 years, equipment depreciated over 10 to 15 years, and furniture and other equipment depreciated over three to five years.

(e) Foreign currency translation:
The accounts of the Fund's foreign operations are considered to be self-sustaining and are translated into Canadian dollars using the current rate method. Assets and liabilities are translated at the rates in effect at the balance sheet date and revenue and expenses are translated at average exchange rates for the period. Gains or losses arising from the translation of the financial statements of self-sustaining foreign operations are deferred in a foreign currency translation adjustment account until there is a realized reduction in the net investment.

Monetary assets and liabilities denominated in U.S. dollars have been translated into Canadian dollars at the rate of exchange in effect at the balance sheet date.

(f) Deferred charges:
Deferred charges relating to debt are amortized on a straight-line basis over the term of the debt.

(g) Revenue recognition:
Revenue from the sale of by-products and other chemicals is recognized at the time of shipment.

(h) Environmental obligations:
Liabilities are recorded when environmental claims or remedial efforts are probable and the costs can be reasonably estimated. Environmental expenditures that relate to current operations are expensed or capitalized as appropriate.

(i) Use of estimates:
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

3. Inventories:

Raw materials and work in process	$	19
Finished goods		3,035
Operating supplies		957
	$	4,011

4. Property, plant and equipment:

	Cost	Accumulated Depreciation	Net Book Value
Land	$ 2,171	$ –	$ 2,171
Property and equipment	59,467	4,476	54,991
Facilities and equipment under construction	1,041	–	1,041
	$ 62,679	$ 4,476	$ 58,203

5. Accrued liabilities:

Included in accrued liabilities is $4,000,000 payable to Marsulex, representing the balance to be paid to adjust opening working capital as defined pursuant to the purchase agreement.

Also included in accrued liabilities is $1,172,000 of cash distributions payable to unitholders on January 31, 2002.

6. Bank debt:

On July 18, 2001, bank debt of $37,000,000 was acquired as part of the initial acquisition. The facility bears interest at a rate that varies with LIBOR with a term of five years. The LIBOR rate in effect at the balance sheet date was 3.80%. Principal repayments will commence in 2003 as follows:

2003	$	925
2004		3,700
2005		5,550
2006		28,096
	$	38,271

At December 31, 2001, the debt is denominated in U.S. dollars ($24,031,000) and has been translated to Canadian dollars at the rate in effect at the balance sheet date.

The Company has also arranged two operating lines of credit for $5,000,000 each, both of which were undrawn as at the balance sheet date.

7. Income taxes:

The provision for income taxes in the consolidated statements of earnings represents an effective rate different than the Canadian statutory rate of 39.6%. The differences are as follows:

		2001
Earnings before income tax	$	6,390
Computed income tax expense at Canadian statutory rate		2,530
Increase (decrease) resulting from:		
Income of trust taxed directly to unitholders		(2,280)
Non-deductible goodwill		628
Difference in substantially enacted tax rate		118
Operating in countries with lower effective income tax rates		(905)
Other		(120)
Large corporation tax		120
Income tax expense	$	91

The tax effect of temporary differences of the Fund's subsidiaries that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2001 are presented below:

		2001
Future tax assets:		
Goodwill – difference between net book value and tax value	$	50
Other		9
Total future tax assets		59
Future tax liabilities:		
Capital assets – differences between net book value and tax value		1,333
Total future tax liabilities		1,333
Net future tax liability	$	1,274
Classified in the financial statements as:		
Future non-current income tax liability	$	1,274

8. Unitholders:

During the period 13,016,900 units were issued for $130,169,000. The cost of issuance totaled $8,940,000 and has been charged against unitholder capital.

9. Commitments and contingencies:

(a) Operating leases:
Under the terms of operating leases, the Company is committed to rental payments as follows:

2002	$	14,626
2003		10,607
2004		6,781
2005		2,899
2006		1,423
2007 and thereafter		420
	$	36,756

The lease commitments have been shown before any subleasing agreements.

(b) Environmental clean-up costs:
The Company's operations are subject to numerous laws, regulations and guidelines relating to air emissions, water discharges, solid and hazardous wastes, transportation and handling of hazardous substances and employee health and safety in Canada, the United States and other foreign countries where they operate. These environmental regulations are continually changing. Generally, they are becoming more restrictive.

The Company has purchased a number of sites as a result of the acquisitions of certain businesses. Subject to certain limitations, the Company has been indemnified by Marsulex for any remediation costs or environmental actions that may arise as a result of conditions existing at the time of acquisition. Environmental assessments were conducted prior to the purchase of the sites as a basis to, among other things, evaluate indemnity protections and, where applicable, verify the appropriateness of existing accruals and estimates for remediation costs.

(c) Other claims:
The Company is involved in certain claims arising out of the ordinary course and conduct of their business which, in the opinion of management, will not have a material impact upon the financial position of the Company. The Company has received an indemnity from Marsulex with respect to claims arising prior to the acquisition of the Company by the Fund. Since July 18, 2001, no material claims have arisen.

10. Business segments:

The Operations operate in two business segments: North American Operations and BCT Chemtrade.

North American Operations incorporates the eastern removal services and sulphur removal businesses.

BCT Chemtrade provides global removal services for sulphur and sulphuric acid and has developed international markets for removed products in Europe, the Middle East, South America and the Asia-Pacific region.

	North American Operations	BCT Chemtrade	Total
Revenue from external customers	$ 49,357	$ 45,508	$ 94,865
Earnings before interest, income taxes, depreciation and amortization	9,672	4,030	13,702
Depreciation	4,167	309	4,476
Amortization of goodwill and deferred charges	815	1,364	2,179
Interest expense (net)	782	(125)	657
Income tax (recovery)/expense	(365)	456	91
Net earnings	4,271	1,774	6,045
Total assets	151,444	47,052	198,496
Capital expenditures	456	503	959

Geographic segments:

The Company operates primarily in Canada, the United States and Europe. Revenue is attributed to customers based on location of customer.

	Revenue Period from July 18 to December 31, 2001	Property, Plant and Equipment and Goodwill December 31, 2001
North America	$ 49,357	$ 120,139
Europe	45,508	27,309
	$ 94,865	$ 147,448

In 2001, services provided to and products handled from the operations' major producer accounted for 54.4% of the operations' total revenue; the next major producer accounted for 7.8%. This revenue is primarily in the North American operations business segment.

11. Fair values of financial instruments:

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments.

Long-term debt bears interest that varies with the market and thus the carrying amount approximates fair value.

Unitholder Information

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Investor Information

Unitholders or other interested parties seeking financial information about the Fund are invited to call:

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Vice President Finance & CFO
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Annual Meeting

The Annual Meeting of Unitholders will be held on May 29, 2002 at 10:00 a.m. at the Auditorium, TSE Conference Centre, The Exchange Tower, 130 King Street West, Toronto, ON

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